

**COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT Human Resources	(2) MEETING DATE 11/24/2015	(3) CONTACT/PHONE Tami Douglas-Schatz, Human Resources Director 781-5959	
(4) SUBJECT Submittal of a resolution approving 1) increases in employee-paid pension contribution rates and County appropriation rates per applicable Memoranda of Understanding, and 2) amendments to the San Luis Obispo County Employees Retirement Plan Appendices for employees in the Association of San Luis Obispo County Deputy Sheriffs, the District Attorney Investigators Association, the Deputy County Counsel Association, the Deputy Sheriffs' Association, the San Luis Obispo County Employees' Association, the San Luis Obispo County Probation Peace Officers' Association, the San Luis Obispo County Sheriff's Managers Association, the San Luis Obispo County Government Attorneys' Union, and Unrepresented employees. All Districts.			
(5) RECOMMENDED ACTION It is recommended that the Board adopt a resolution approving 1) increases in employee-paid pension contribution rates and County appropriation rates per applicable Memoranda of Understanding, and 2) amendments to the San Luis Obispo County Employees Retirement Plan Appendices for employees in the Association of San Luis Obispo County Deputy Sheriffs, the District Attorney Investigators Association, the Deputy County Counsel Association, the Deputy Sheriffs' Association, the San Luis Obispo County Employees' Association, the San Luis Obispo County Probation Peace Officers' Association, the San Luis Obispo County Sheriff's Managers Association, the San Luis Obispo County Government Attorneys' Union, and Unrepresented employees.			
(6) FUNDING SOURCE(S) General Fund	(7) CURRENT YEAR FINANCIAL IMPACT \$430,663.00	(8) ANNUAL FINANCIAL IMPACT \$861,326.00	(9) BUDGETED? Yes
(10) AGENDA PLACEMENT <input checked="" type="checkbox"/> Consent <input type="checkbox"/> Presentation <input type="checkbox"/> Hearing (Time Est. ____) <input type="checkbox"/> Board Business (Time Est. ____)			
(11) EXECUTED DOCUMENTS <input checked="" type="checkbox"/> Resolutions <input type="checkbox"/> Contracts <input type="checkbox"/> Ordinances <input type="checkbox"/> N/A			
(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) N/A		(13) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: N/A <input type="checkbox"/> 4/5 Vote Required <input checked="" type="checkbox"/> N/A	
(14) LOCATION MAP N/A	(15) BUSINESS IMPACT STATEMENT? No	(16) AGENDA ITEM HISTORY <input checked="" type="checkbox"/> N/A Date: _____	
(17) ADMINISTRATIVE OFFICE REVIEW Leslie Brown			
(18) SUPERVISOR DISTRICT(S) All Districts			

County of San Luis Obispo



TO: Board of Supervisors

FROM: Tami Douglas-Schatz, Human Resources Director
781-5959

DATE: 11/24/2015

SUBJECT: Submittal of a Resolution approving 1) increases in employee-paid pension contribution rates and County appropriation rates per applicable Memoranda of Understanding, and 2) amendments to the San Luis Obispo County Employees Retirement Plan Appendices for employees in the Association of San Luis Obispo County Deputy Sheriffs, the District Attorney Investigators Association, the Deputy County Counsel Association, the Deputy Sheriffs' Association, the San Luis Obispo County Employees' Association, the San Luis Obispo County Probation Peace Officers' Association, the San Luis Obispo County Sheriff's Managers Association, the San Luis Obispo County Government Attorneys' Union, and Unrepresented employees. All Districts.

RECOMMENDATION

It is recommended that the Board adopt a Resolution approving 1) increases in employee-paid pension contribution rates and County appropriation rates per applicable Memoranda of Understanding, and 2) amendments to the San Luis Obispo County Employees Retirement Plan Appendices for employees in the Association of San Luis Obispo County Deputy Sheriffs, the District Attorney Investigators Association, the Deputy County Counsel Association, the Deputy Sheriffs' Association, the San Luis Obispo County Employees' Association, the San Luis Obispo County Probation Peace Officers' Association, the San Luis Obispo County Sheriff's Managers Association, the San Luis Obispo County Government Attorneys' Union, and Unrepresented employees.

DISCUSSION

Each year, an actuarial valuation is conducted by the San Luis Obispo County Pension Trust ("Trust"). The Trust's 2014 actuarial valuation study (report dated January 1, 2015) calls for a 1.02% County-wide aggregate pension rate increase, with an implementation date effective the pay period that includes January 1, 2016. Based on this implementation date, the total actuarial breakdown of rate increases for "Miscellaneous" members, "Safety" members, and "Probation" members is as follows:

Miscellaneous:	0.98% total increase
Safety:	1.26% total increase
Probation:	1.06% total increase

In accordance with the terms of existing Memoranda of Understanding (MOU) and in keeping with the County's overall direction of sharing pension increases equally with employees with a goal of achieving a sustainable pension plan, County employees shall share one-half (50%) of the cost of pension increases. However, due to ongoing negotiations between the County and employees in Deputy County Counsel Association (DCCA) Bargaining Unit 12 and San Luis Obispo Government Attorneys' Union (SLOGAU) Bargaining Unit 04, the County will pay the full cost of the pension increases for employees in these bargaining units pending the completion of the negotiations process. Below is a breakdown of the pension rate increases for the County's represented and unrepresented Bargaining Units:

- Effective the pay period that includes January 1, 2016, the pension contribution rate for "Miscellaneous" employees in classifications in Bargaining Units 01, 02, 05, 07, 08, 09, 10, 11, 13, 14, 17, 21, and 22 as shown in Attachment A, attached hereto, shall increase by 0.49%. The County's appropriation rate shall also

increase by 0.49%. For employees in Bargaining Units 04 and 12, effective the pay period that includes January 1, 2016, the County's appropriation rate shall increase by 0.98%.

- Tier 1, Tier 2, and Tier 3 member contribution rates are reflected in Appendix A – Miscellaneous Members Contribution Rates Tier 1, Appendix A – Miscellaneous Members Contribution Rates Tier 2, and Appendix A – Miscellaneous Members Contribution Rates Tier 3-AB340 attached hereto, to reflect the new member contribution rates and the County's new appropriation rate.
- Effective the pay period that includes January 1, 2016, the pension contribution rate for "Safety" employees in classifications in Bargaining Units 03, 06, 07, 10, 14, 15, 16, 27, and 28 as shown in Attachment B, attached hereto, shall increase by 0.63%. The County's appropriation rate shall also increase by 0.63%.
 - Tier 1, Tier 2, and Tier 3 member contribution rates are reflected in Appendix B – Safety Members Contribution Rates Tier 1, Appendix B – Safety Members Contribution Rates Tier 2, and Appendix B – Safety Members Contribution Rates Tier 3-AB340 attached hereto, to reflect the new member contribution rates and the County's new appropriation rate.
- Effective the pay period that includes January 1, 2016, the pension contribution rate for "Probation" employees in classifications in Bargaining Units 08, 09, 31, and 32 as shown in Attachment C, attached hereto, shall increase by 0.53%. The County's appropriation rate shall also increase by 0.53%.
 - Tier 1 and Tier 3 member contribution rates¹ are reflected in Appendix C – Probation Members Contribution Rates Tier 1, and Appendix C – Probation Member Contribution Rates Tier 3-AB340 attached hereto, to reflect the new member contribution rates and the County's new appropriation rate.

Employees in the Association of San Luis Obispo County Deputy Sheriffs (ASLOCDS), the District Attorney Investigators Association (DAIA), the Deputy County Counsel Association (DCCA), the Deputy Sheriffs' Association (DSA), the San Luis Obispo County Employees' Association (SLOCEA "Big Unit" and SLOCEA "Trades Unit"), the San Luis Obispo County Probation Peace Officers' Association (SLOCPPOA), the San Luis Obispo County Sheriff's Managers Associations (SLOCSMA), the San Luis Obispo County Government Attorneys' Union (SLOGAU), and Unrepresented employees are comprised of the Bargaining Units (BU) and employees as follows in the table below:

Employee Organization	BU	Employees	Pension Rate Increase	Employee Share	County Share
ASLOCDS	BU27 – Sworn Law Enforcement Unit BU28 – Sworn Law Enforcement Supervisory Unit	142	1.26%	0.63%	0.63%
DAIA	BU06 – District Attorney Investigators' Unit and District Attorney Investigators' Supervisory Unit	12	1.26%	0.63%	0.63%
DCCA	BU12 – Deputy County Counsel Attorneys	11	0.98%	0%	0.98%
DSA	BU03 – Law Enforcement Unit BU14 – Supervisory Law Enforcement Unit BU21 – Non Safety Law Enforcement Unit BU22 – Dispatcher Unit	157	1.26% (Safety) 0.98% (Misc.)	0.63% (Safety) 0.49% (Misc.)	0.63% (Safety) 0.49% (Misc.)
SLOCEA "Big Unit"	BU01 – Public Services Unit BU05 – Supervisory Unit BU13 – Clerical Unit	1,505	0.98%	0.49%	0.49%
SLOCEA "Trades Unit"	BU02 – Trades, Crafts, and Services Unit	165	0.98%	0.49%	0.49%
SLOCPPOA	BU31 – Probation Unit BU32 – Probation Supervisory Unit	104	1.06%	0.53%	0.53%

¹ Employees classified as "Probation" members are placed into either Tier 1 or Tier 3. To date, a second tier retirement for "Probation" members has not been implemented.

SLOCSMA	BU15 – Sheriff's Management	11	1.26%	0.63%	0.63%
SLOGAU	BU04 – Deputy District Attorneys	30	0.98%	0%	0.98%
Unrepresented	BU07 – Operations and Staff	377	0.98%	0.49%	0.49%
	BU08 – General Management		(Misc.)	(Misc.)	(Misc.)
	BU09 – Appointed Department Heads		1.06%	0.53%	0.53%
	BU10 – Elected Department Heads		(Probation)	(Probation)	(Probation)
	BU11 – Confidential Employees				
	BU16 – General Management Law Enforcement (Undersheriff)		1.26%	0.63%	0.63%
	BU17 – Board of Supervisors		(Safety)	(Safety)	(Safety)
Total Employees		2,514			

Pension Plan Benefit Tiers

Based on date of hire age of entry and/or pension plan reciprocity, County employees are placed into either Tier 1, Tier 2, or Tier 3 of the pension plan. The tier represents the benefit employees will receive upon retirement. A full description of the plan benefit is available on the Pension Trust's website, www.slocounty.ca.gov/PensionTrust. All employees hired on or after January 1, 2013 are placed into Tier 3, or may be granted reciprocity into Tier 2 depending on prior service. No new employees are being hired into Tier 1. The current number of employees listed in the table above in each tier is as follows:

Tier 1: 1,649 employees
Tier 2: 306 employees
Tier 3: 559 employees

Employees in each tier are then classified as either "Miscellaneous" members, "Safety" members, or "Probation" members. The contribution rates that employees pay vary depending on age of entry, bargaining unit, tier, and classification as a "Miscellaneous", "Safety", or "Probation" member. The contribution rates that the County pays also varies by bargaining unit, tier, and "Miscellaneous", "Safety", or "Probation". Currently the County contribution is based on an actuarial recommended blended rate to control and reduce unfunded liability.

OTHER AGENCY INVOLVEMENT/IMPACT

Representatives from the Pension Trust participated in the development of the Employees Retirement Plan Appendices. County Counsel has reviewed and approved the Resolution for legal form and effect. The Auditor's Office will process the system changes needed to implement the pension rate changes. These changes have been bargained with the Employee Associations and are implemented per applicable MOU's.

FINANCIAL CONSIDERATIONS

Effective the pay period that includes January 1, 2016, the total rate increase for the "Miscellaneous" members is 0.98%, the total rate increase for the "Safety" members is 1.26%, and the total rate increase for the "Probation" members is 1.06%. By splitting the pension rate increases, the percentage breakdown of the increased employee share and the increased County share² is as follows:

	Miscellaneous	Safety	Probation
Employee share	0.49%	0.63%	0.53%
County share	0.49%	0.63%	0.53%
Total	0.98%	1.26%	1.06%

Based on the increased County share, the County's costs for FY 2015/16 are estimated to increase by \$430,663 for the time period of January, 2016 through June, 2016. The County's annual ongoing costs are estimated to increase by \$861,326.

In accordance with an agreement between the County and Pension Trust and based on actuarial projections, the

² As stated above in the Discussion, the County will pay the full 0.98% for DCCA and SLOGAU employees pending completion of negotiations.

employer pension contributions are prefunded by the County each fiscal year. At the end of the fiscal year a “true-up” of the contributions is calculated and the County will either be credited or charged an additional amount as appropriate³. The pension sharing described herein will be a factor in the “true-up” calculations at the end of the fiscal year.

RESULTS

Approval of this Resolution will help mitigate the effects of ongoing pension cost increases to the County by equally sharing the costs between the County and employees. In keeping with the Board of Supervisors’ direction to stabilize the County’s overall budget and share in pension rate increases, the County continues to maintain efforts toward ensuring a fiscally sustainable pension system. These changes also contribute to a results-oriented, well-governed community.

ATTACHMENTS

1. Resolution
2. Attachment A – Miscellaneous Classifications
3. Attachment B – Safety Classifications
4. Attachment C – Probation Classifications
5. Appendix A – Miscellaneous Members Contribution Rates Tier 1
6. Appendix A – Miscellaneous Members Contribution Rates Tier 2
7. Appendix A – Miscellaneous Members Contribution Rates Tier 3-AB340
8. Appendix B – Safety Members Contribution Rates Tier 1
9. Appendix B – Safety Members Contribution Rates Tier 2
10. Appendix B – Safety Members Contribution Rates Tier 3-AB340
11. Appendix C – Probation Members Contribution Rates Tier 1
12. Appendix C – Probation Member Contribution Rates Tier 3-AB340

³ See the May 18, 2015 Pension Trust Board of Trustees agenda, Item Number 8.